Weekly Economic Review

Labour market gets a welcomed boost

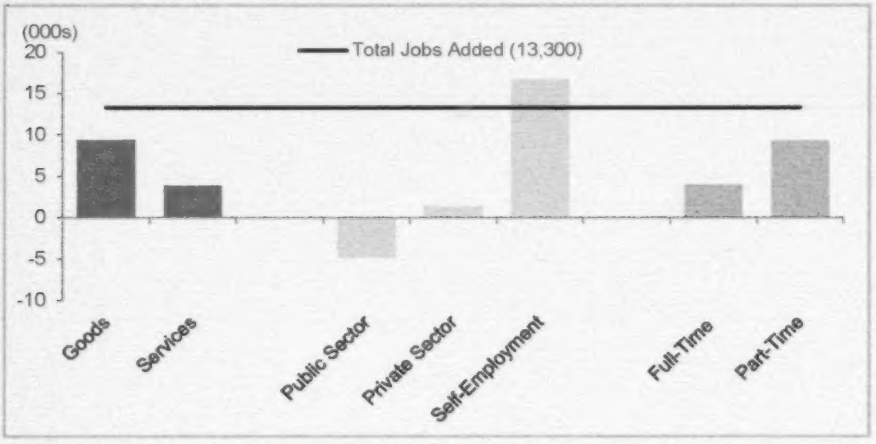
Employment

Alberta's jobs market sees improvement as Autumn arrives

Following a small uptick last month, Alberta's labour market posted a welcomed jump in employment during September. The province added 13,300 jobs (Chart 1), mostly due to gains in self-employment (+16,700), with some additional support from the private sector (+1,400). Goods producing industries added 9,400 jobs, while the service sector created 3,900 new positions. The construction (+5,300) and manufacturing (+2,300) sectors have both experienced some improvement after a slew of job losses earlier in the year. The labour force increased as a result of more workers entering the job market. As such, the unemployment rate inched up to 8.5%.

Chart 1: Labour market gets a needed boost from self-employment

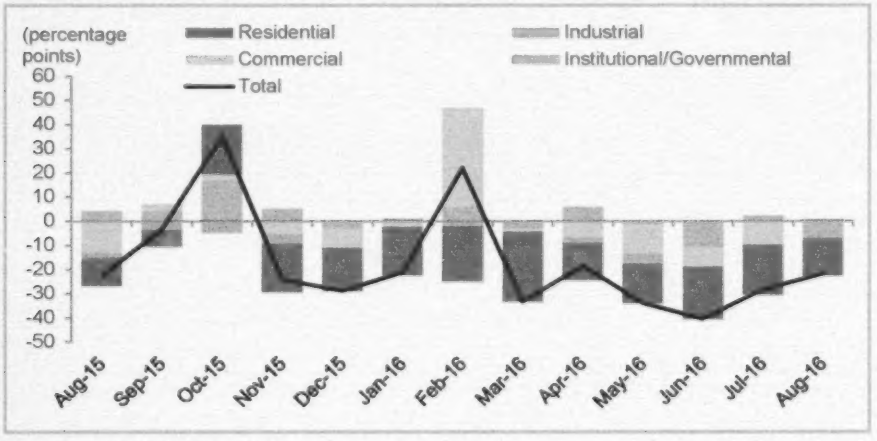
Alberta jobs added in September by employment type



Source: Statistics Canada

Chart 2: Residential structures suppress building permit issuance

Contributions to year-over-year change in Alberta building permits



Source: Statistics Canada

Building Permits

Slight improvement in permits

Tentative signs point to some improvement in Alberta's construction sector, as building permits - a leading indicator of building activity - ticked up for a second month. The value of Alberta building permits totaled $1.0 billion in August, up 1.3% month-over-month (m/m). The increase was due to gains in both residential (4.0% m/m) and commercial permit issuance (27% m/m). This outweighed a drop in permits granted for industrial (-8.2% m/m) as well as institutional and governmental buildings (-32% m/m). Despite the monthly uptick, the value of new building permits was down 22% compared with the previous year (Chart 2). Residential (-27% y/y) as well as non-residential (-15% y/y) permit issuance were still weak, especially for institutional and governmental structures (-42% y/y).

Railcar Loadings

Railcar shipments still subdued

Despite some improvement after the Alberta wildfire interrupted crude shipments, Western Canada's railcar loadings remain subdued. A total of 139,411 railcars were shipped from Western Canada in July, down 6.8% y/y. The weakness in railcar traffic mostly stemmed from fewer agricultural carloadings (-15.0% y/y), especially for shipments of wheat (-22% y/y), as well as lower energy shipments (-5.0% y/y). Shipments of fuel oils and crude petroleum were down (-31% y/y). Coal

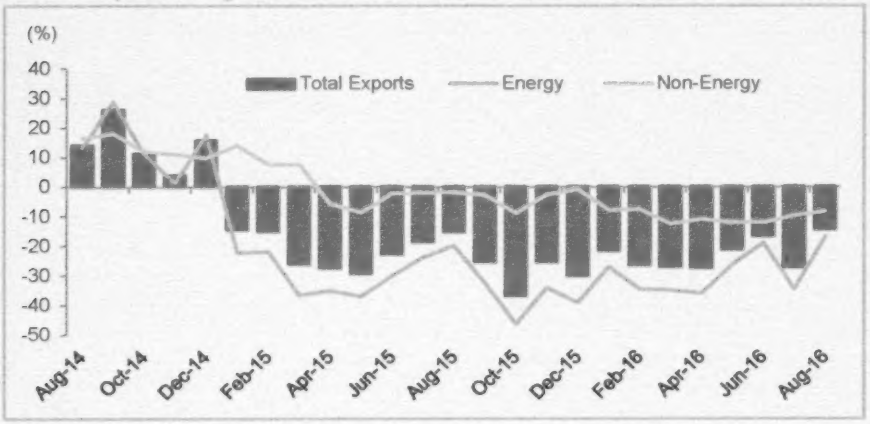
shipments, in contrast, have improved since hitting a five year low in September 2015. Railcar shipments of wood products (7.9% y/y) were also up.

Supply and Disposition of Crude Oil

Bitumen production steadily restored in the wake of Alberta wildfire

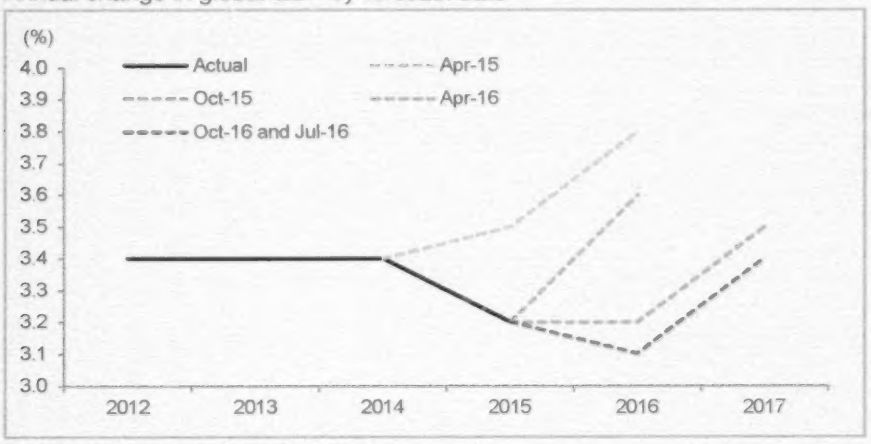
Alberta's oil sands production has been mostly restored since the wildfire. The province produced 3.0 million barrels of oil per day in July, up 22% m/m. Production of non-conventional oil reached 2.5 million barrels per day, up 28% m/m. The increase was due in part to stronger production of synthetic (54% m/m) and crude bitumen (17% m/m) as oil sands operations came back online. Conversely, conventional oil production continued to wane (-0.5% m/m) due to lower production of heavy crude (-2% m/m) and light and medium oil (-0.4% m/m). The boom in condensate production has also leveled off.

Chart 3: Downturn in trade eases as commodity prices boost export values
Year-over-year change in Alberta international merchandise trade



Source: Statistics Canada

Chart 4: No revisions to the IMF's global growth forecast
Annual change in global GDP by forecast date



Sources: International Monetary Fund

Merchandise Trade

Commodity prices boost exports

Alberta's international goods exports jumped to $7.0 billion in August, the biggest monthly gain since late-2014. Commodities like energy products (22% m/m) and metals and minerals (8.4%) were important contributors to the growing value of export, due in part to higher commodity prices. However, the monthly gain was insufficient to offset earlier declines, leaving goods exports down 14% y/y (Chart 3). The value of energy exports was down 17% y/y – still weak, but in better shape than the past few months. Similarly, non-energy exports were down 8.2% y/y due to the persistent weakness in industrial machinery (-29%), metal and non-metallic mineral products (-14% y/y), and farm, fishing and intermediate food products (-12% y/y).

World Economic Outlook

Global growth remains tepid

Despite a lacklustre outlook for the global economy, the International Monetary Fund (IMF) left its forecast for global growth unchanged at 3.1% in 2016, and 3.4% for 2017 (Chart 4). Weaker growth in the United States along with dwindling international investment, industrial activity and trade flows have all been ongoing sources of weakness. Moreover, natural resource exporters remain hard-hit by the commodity price shock. The outlook for advanced economies on the whole has worsened, with downgrades for US and Euro area growth. Canada's growth was cut to 1.2% in 2016, while the forecast for 2017 was trimmed to 1.9%. On the other hand, emerging markets have fared a little better as the recessions in Brazil and Russia gradually subside and stimulative economic policies have led to strong credit growth and higher household consumption in China. Moreover, India has maintained its stellar rate of economic growth.

Contact

Nachum Gabler 780.638.3238

Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.